

CERTIFIED

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to:

Internal Revenue Service
[REDACTED]

Date: JAN 17 1991

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(4) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

Your Articles of Incorporation state that the purposes of your organization are exclusively charitable and educational as described in Section 501(c)(3). These purposes include but are not limited to maintaining and enforcing the Declaration of Covenants, Conditions and Restrictions of real property located in [REDACTED], the City of [REDACTED]; the promotion of facilities and services to meet the needs of the residents of the neighborhood; the improvement of the physical appearance of the neighborhood; the opportunity for neighbors to meet and learn each other's needs; the preservation of the residential character of the neighborhood; the analysis of the advantages and problems of living in the neighborhood as a means of aiding in the determination of needs and priorities with regard to community development and the education of residents on subjects useful to the individual and beneficial to the community.

A member of your organization must be an owner of property in the [REDACTED] Neighborhood. You currently have [REDACTED] members. Membership assessments are \$[REDACTED] for a townhome and \$[REDACTED] for a single home.

The primary activity of your organization is to provide services to your members. The following statements appeared in your application.

Painting, mowing, shrub and lawn maintenance and snow removal services will be provided to the members of the association community. Also, maintenance of all common areas and parks and water, insurance, real estate taxes and labor fees for performance of maintenance will be paid on all common areas. No income will be realized from these activities and the common areas are not maintained for the general public but for the use of the members of the association community only.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	1/16/91	1/16/91	1/16/91	1/16/91	1/16/91	1/16/91	1/16/91

Your primary source of income is membership assessments. Your primary expense is the maintenance of your members' property.

Section 501(c)(4) of the code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

Revenue Ruling 74-99, 1974-1 C.B. 131, holds that a homeowners association, to qualify for exemption under Section 501(c)(4) of the Code, (1) must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof, (2) it must not conduct activities directed to the exterior maintenance of private residences and (3) the common areas or facilities it owns and maintains must be for the use and enjoyment of the general public.

Based on the foregoing, we have concluded that your organization is operated primarily for the private benefit of your members and any benefits to the community are not sufficient to meet the requirement of the regulation that an organization be operated primarily for the common good and general welfare of the people of the community. Accordingly, we hold that you are not exempt from Federal income tax as a social welfare organization under Section 501(c)(4) of the Code and are required to file Federal income tax returns annually.

A homeowners association that is not exempt under Section 501(c)(4) and that is either a condominium management association or a residential real estate management association generally may elect, under the provisions of Section 528, to receive certain tax benefits that, in effect, permit the exclusion of its exempt function income from its gross income. The election is made each year by filing Form 1120-H. For more information, see Publication 586 Tax Information for Homeowners Associations.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still

unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If we do not hear from you within 30 days from the date of this letter this determination will become final.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,

District Director

Enclosures:
Publication 892
Form 6018